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Sandmartin International Holdings Limited

聖馬丁國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 482)

**ANNOUNCEMENT OF FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

FINANCIAL HIGHLIGHTS

- Group revenue for the year was HK\$926.5 million
- The Group’s earnings before finance costs, income tax expense, depreciation, amortisation and release of prepaid lease payments for the year was HK\$30.6 million
- Loss for the year was HK\$26.3 million
- Loss for the year attributable to owners of the Company was HK\$25.4 million
- Basic loss per share for the year was HK6.32 cents

* For identification purpose only

CHAIRMAN’S LETTER TO SHAREHOLDERS

Dear shareholders of the Company (the “**Shareholders**”),

On behalf of the board (the “**Board**”) of the directors (the “**Directors**”) of Sandmartin International Holdings Limited (the “**Company**”, together with its subsidiaries collectively referred to as the “**Group**”), I hereby present the annual results of the Group for the year ended 31 December 2021.

The financial performance of the Group was not satisfactory for the year ended 31 December 2021. The 2019 novel coronavirus pandemic (the “**Pandemic**”) continued to have negative impacts on the business and operations of the Group. The recent outbreak of variants of novel coronavirus in Southeast Asia, inevitably affected the productions of the Group’s suppliers located in Vietnam and led to the delay in shipment of products to the Group’s customers in the North America. With the global shortage of microchips and integrated circuits, and the increases in material costs, such as copper, aluminum and plastic materials, the profit margins of the Group’s products have declined when compared with the same corresponding period in 2020. The Group has taken some measures to mitigate the unfavourable impacts arising from the Pandemic, including but not limited to sourcing from different suppliers and adjusting the logistics structures.

The outbreak of variants of the Pandemic in May 2021 also had adverse impact on the tourism and economic sentiment in Nepal which led to the slight decrease in number of subscribers of Dish Media Network Limited (“**Dish Media**”, the Company’s associate and the largest satellite pay television operator in Nepal). Nevertheless, the satellite pay television business of Dish Media was able to generate stable subscription revenue in 2021 and contributed profits to the Group.

The ongoing China-US trade war still has some negative impacts on the operations of the Group and the Group mitigates the impacts by sourcing from suppliers in Southeast Asia, serving the purpose of avoiding the excessive tariffs imposed by the United States (the “**US**”) on products from the People’s Republic of China (the “**PRC**”).

Although the global economy is gradually recovering from the Pandemic, the geo-political and geo-economic tensions are yet to be resolved. Given these volatilities and challenges, the Group will continue to adopt a prudent approach in managing its cash flows position and will make every endeavour to identify business opportunities with promising potential in the manufacturing segments in emerging markets or even other sectors so as to diversify our income source to weather adverse economic cycle.

To strengthen the financial position and improve the liquidity of the Group, on 28 April 2021, the Company proposed inter alia, capital reorganisation and rights issue on the basis of one rights share for every two adjusted shares in issue on the record date. On 11 June 2021, capital reorganisation comprises the share consolidation on the basis that ten issued and unissued shares were consolidated into one consolidated share with par value of HK\$1.0 per consolidated share of the Company became effective. Immediately after the share consolidation, the reduction of the issued share capital of the Company came into effect, each issued consolidated share has been reduced to HK\$0.10 per adjusted share. Rights issue on the basis of one rights share for every two adjusted shares was completed on 21 July 2021.

Besides, the Group has gradually outsourced its production to suppliers in Vietnam since in order to explore opportunities to increase the investment return of the production plants located on an industrial land in Zhongshan (the “**Land**”), therefore, the Group entered into a cooperation agreement with Guangdong Huasuan International Industrial Park Investment Development Co., Ltd.* (廣東省華算國際產業園投資發展有限公司) (“**Huasuan**”) in July 2021. According to the cooperation agreement, the Group and Huasuan will cooperate to upgrade certain blocks of factory buildings and dormitories constructed on the Land and to redevelop some vacant and undeveloped parts of the Land after consents and planning approvals from the relevant PRC government authorities are obtained.

Going forward, the Board believes that the growth of the Group will depend on business opportunities arising from new 5G peripherals, Internet of Things and related products. In anticipation of such business opportunities, the Group’s research and development team is developing new 5G related products with reference to the market trend. New products under development include next generation radio frequency and antenna products. The Group’s research and development team is working on these products in the research center in Hsinchu, Taiwan. Hopefully, the Group’s new 5G related products will bring about more business opportunities as well as revenue and profits.

On behalf of the Board, I would like to take this opportunity to express our gratitude to our invaluable business partners, Shareholders, and management and employees for their continuous support and contribution to the Group. We look forward to sharing the rewards ahead with our stakeholders.

Kuo Jen Hao
Chairman

BUSINESS OVERVIEW AND MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHT AND BUSINESS OVERVIEW

The Group recorded a decrease in gross profit ratio from 13.77% for the year ended 31 December 2020 to 13.08% for the year ended 31 December 2021 due to the increase in material costs, global shortage of chips and integrated circuits as a result of the Pandemic.

The Group's earnings before finance costs, income tax expense, depreciation, amortisation and release of prepaid lease payments was HK\$30,554,000 (2020: HK\$33,689,000).

MEDIA ENTERTAINMENT PLATFORM RELATED PRODUCTS

In 2021, the Group's media entertainment platform related products segment faced a challenging economic environment and a decline in demand of its products due to the outbreak of the Pandemic. In response to the challenging economic environment, the Group continued to explore new business opportunities. The revenue of this segment was decreased by 5.43% as compared with the year ended 31 December 2020, while the segment results were increased by 176.85%.

- Segment revenue of media entertainment platform related products was approximately HK\$117,545,000 (2020: HK\$124,293,000).
- Segment results from operations were approximately HK\$5,645,000 (2020: HK\$2,039,000).
- Segment margin was 4.80% as compared with segment margin of 1.64% in 2020.

Outlook

The Group is exploring new business opportunities for this segment. The China-US trade war is not expected to have material adverse impact on this segment as this segment does not have customers in the US.

OTHER MULTIMEDIA PRODUCTS

Due to the increases in material costs and freight charges, the profitability of the Group's other multimedia products segment was lower than expected. Major products of this segment included cables, multimedia accessories and wireless mobile phone chargers for vehicles. The revenue of this segment was slightly decreased by 0.68%. Segment results decreased by 6.89% due to the increase in material costs after the outbreak of the Pandemic.

- Segment revenue of other multimedia products was approximately HK\$271,886,000 (2020: HK\$273,735,000).
- Segment results from operations were approximately HK\$15,301,000 (2020: HK\$16,434,000).
- Segment margin was 5.63% as compared with the segment margin of 6.00% in 2020.

Outlook

We are enhancing our product portfolio and developing new businesses to cope with the new demand from customers. The China-US trade war has some impact on this segment as some of the customers are located in the US. We are trying to minimize the impact by sourcing from suppliers outside the PRC, such as Southeast Asia and adjusting logistics structure.

SATELLITE TV EQUIPMENT AND ANTENNA PRODUCTS

Due to the gradual recovery of economy from the Pandemic in the North America, the revenue of the Group's satellite TV equipment and antenna products segment showed an increase of 15.34%, while the segment results were increased by 13.24%.

- Segment revenue of satellite TV equipment and antenna products was approximately HK\$537,040,000 (2020: HK\$465,601,000).
- Segment results from operations were approximately HK\$72,354,000 (2020: HK\$63,897,000).
- Segment margin was 13.47%, decreased by 0.25 percentage-point as compared with the segment margin of 13.72% for the year ended 31 December 2020.

Outlook

Low noise blocking down converters (“**LNBs**”) are receiving devices mounted on satellite dishes used for reception, which collect microwaves from the satellite dishes and facilitate the transmission of satellite television signals. Apart from the sales of LNBS to the customers in North America, we are exploring business opportunities in other areas such as cross-selling LNBS to other existing customers of the Group in South Asia. The research and development team of the Group endeavours to develop new products for next generation radio and antenna communications. The China-US trade war has some impact on this segment as some of the customers are located in the US. Such impact is minimized by sourcing from suppliers outside the PRC, such as Southeast Asia.

GEOGRAPHICAL RESULTS

ASIA

- Revenue of Asia for the year ended 31 December 2021 was approximately HK\$116,297,000, compared with the year ended 31 December 2020 which was approximately HK\$99,362,000.
- 17.04% increase in revenue of Asia compared with the year ended 31 December 2020.
- Asia shares 12.55% total revenue of the Group for the year ended 31 December 2021 (2020: 11.51%).

EUROPE

- Revenue of Europe for the year ended 31 December 2021 was approximately HK\$125,236,000, compared with the year ended 31 December 2020 which was approximately HK\$99,389,000.
- 26.01% increase in revenue of Europe compared with the year ended 31 December 2020.
- Europe shares 13.52% total revenue of the Group for the year ended 31 December 2021 (2020: 11.51%).

MIDDLE EAST

- Revenue of Middle East for the year ended 31 December 2021 was approximately HK\$16,234,000, compared with the year ended 31 December 2020 which was approximately HK\$56,843,000.
- 71.44% drop in revenue of Middle East compared with the year ended 31 December 2020.
- Middle East shares 1.75% total revenue of the Group for the year ended 31 December 2021 (2020: 6.58%).

NORTH AMERICA

- Revenue of North America for the year ended 31 December 2021 was approximately HK\$626,389,000, compared with the year ended 31 December 2020 which was approximately HK\$567,365,000.
- 10.40% increase in revenue of North America compared with the year ended 31 December 2020.
- North America shares 67.61% total revenue of the Group for the year ended 31 December 2021 (2020: 65.70%).

SOUTH AMERICA

- Revenue of South America for the year ended 31 December 2021 was approximately HK\$40,922,000, compared with the year ended 31 December 2020 which was approximately HK\$38,420,000.
- 6.51% increase in revenue of South America compared with the year ended 31 December 2020.
- South America shares 4.42% total revenue of the Group for the year ended 31 December 2021 (2020: 4.45%).

Outlook

As our businesses in Europe, North America and Asia continued to share majority of the Group's revenue, therefore we shall focus and explore new business opportunities in these regions in future.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	4	926,471	863,629
Cost of sales		<u>(805,276)</u>	<u>(744,716)</u>
Gross profit		121,195	118,913
Other income, gains and losses		47,469	44,875
Increase in fair value of investment properties		19,006	7,052
Distribution and selling costs		(27,895)	(36,543)
Administrative and other expenses		(110,287)	(107,229)
Research and development costs		(27,382)	(32,276)
Share of profit of an associate		4,487	16,277
Provision for of expected credit losses on other financial assets		(14,895)	(1,916)
Finance costs		<u>(28,140)</u>	<u>(29,839)</u>
Loss before income tax expense		(16,442)	(20,686)
Income tax expense	5	<u>(9,819)</u>	<u>(3,141)</u>
Loss for the year	6	<u>(26,261)</u>	<u>(23,827)</u>
Other comprehensive income, net of tax			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
– Gain on revaluation of properties upon transfer of property, plant and equipment to investment properties		–	25,573
<i>Item that may be reclassified subsequently to profit or loss:</i>			
– Exchange differences on translation of foreign operations		<u>553</u>	<u>(4,925)</u>
Other comprehensive income for the year		<u>553</u>	<u>20,648</u>
Total comprehensive income for the year		<u>(25,708)</u>	<u>(3,179)</u>

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss for the year attributable to:			
– Owners of the Company		(25,433)	(12,594)
– Non-controlling interests		<u>(828)</u>	<u>(11,233)</u>
		<u>(26,261)</u>	<u>(23,827)</u>
Total comprehensive income attributable to:			
– Owners of the Company		(26,438)	7,921
– Non-controlling interests		<u>730</u>	<u>(11,100)</u>
		<u>(25,708)</u>	<u>(3,179)</u>
Loss per share	8	<i>HK cents</i>	<i>HK cents</i> (Restated)
– Basic		<u>(6.32)</u>	<u>(3.82)</u>
– Diluted		<u>(6.32)</u>	<u>(3.82)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		72,712	66,704
Prepaid lease payments		30	58
Investment properties		230,797	205,442
Goodwill		9,597	10,140
Intangible assets		2,480	3,836
Interest in an associate		91,443	90,393
Loan to an associate	9	–	22,155
Deferred tax assets		3,922	4,212
		<hr/>	<hr/>
Total non-current assets		410,981	402,940
Current assets			
Inventories		205,038	156,633
Trade, bills and other receivables	10	225,325	207,704
Prepaid lease payments		29	28
Loan receivables		–	–
Loan to an associate	9	22,063	–
Amount due from an associate	9	38,679	36,356
Pledged bank deposits		3,603	3,957
Bank balances and cash		111,354	88,871
		<hr/>	<hr/>
Total current assets		606,091	493,549
Current liabilities			
Trade, bills and other payables	11	398,853	289,524
Contract liabilities		25,313	30,407
Tax liabilities		11,843	12,083
Bank and other borrowings		144,083	383,144
Provision for financial guarantee		27,332	27,332
Lease liabilities		4,992	3,855
		<hr/>	<hr/>
Total current liabilities		612,416	746,345
Net current liabilities		(6,325)	(252,796)
		<hr/>	<hr/>
Total assets less current liabilities		404,656	150,144
		<hr/>	<hr/>

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Bank and other borrowings	225,981	29,840
Deferred tax liabilities	67,746	62,357
Defined benefit obligation	32	32
Lease liabilities	15,804	4,399
	<u> </u>	<u> </u>
Total non-current liabilities	309,563	96,628
	<u> </u>	<u> </u>
Net assets	95,093	53,516
	<u> </u>	<u> </u>
Capital and reserves attributable to owners of the Company		
Share capital	49,216	328,108
Reserves	6,063	(313,676)
	<u> </u>	<u> </u>
Equity attributable to owners of the Company	55,279	14,432
Non-controlling interests	39,814	39,084
	<u> </u>	<u> </u>
Total equity	95,093	53,516
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1. GENERAL INFORMATION

The Company is incorporated in Bermuda with limited liability and its shares are listed on Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The Company and its subsidiaries (hereafter referred to as the “**Group**”) engages in manufacturing and trading of satellite TV equipment products and other electronic goods.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

(a) Adoption of new/revised HKFRSs – effective on 1 January 2021

Amendments to HKFRS 16	COVID-19 Related Rent Concessions
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9, and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

None of these new or amended HKFRSs has a material impact on the Group’s results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs, potentially relevant to the Group’s financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group’s current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS 16	COVID-19 Related Rent Concessions beyond 30 June 2021 ²
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use ³
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ³
Annual Improvements to HKFRSs 2018-2020	Amendment to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standard, Amendment to HKFRS 9 Financial instruments, Amendment to illustrative examples accompanying HKFRS 16 Leases and Amendment to HKAS 41 Agriculture ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁴
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ⁵
HK Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁵
HKFRS 17	Insurance Contracts ⁵
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ⁵
Amendments to HKAS 8	Definition of Accounting Estimates ⁵
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ⁵

¹ No mandatory effective date yet determined but available for adoption.

² Effective for annual periods beginning on or after 1 April 2021.

³ Effective for annual periods beginning on or after 1 January 2022.

⁴ Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

⁵ Effective for annual periods beginning on or after 1 January 2023.

The above new or revised HKFRSs that have been issued but not yet effective are not likely to have material impact on the Group’s consolidated results and consolidated financial statements upon application.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations (hereinafter collectively referred to as the Hong Kong Financial Reporting Standards) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

(b) Basis of measurement and going concern assumption

The consolidated financial statements have been prepared on the historical cost basis except for investment properties which are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

During the year, the Group incurred a net loss of HK\$25,433,000 attributable to owners of the Company and at the end of reporting period, the Group had net current liabilities of approximately HK\$6,325,000. As at the same date, the Group had bank loans of HK\$144,083,000, which is subject to repayment or renewal in the next twelve months after the end of the reporting period. These conditions may cast significant doubt on the Group’s ability to continue as a going concern.

In view of these circumstances, the Directors have given consideration to the future liquidity and performance of the Group and its available sources of finance in the preparation of a cash flow forecast cover a 18-month period from the end of the reporting period for assessing whether the Group will have sufficient financial resources to continue as a going concern. Management has also performed a sensitivity analysis by considering a reasonable change in operating cash flows on the forecast period and the headroom of the available working capital. In particular, the Directors have considered the following:

- (1) Based on communication with banks, the Group is able to renew the existing bank loans upon expiry. The Directors are of the opinion that the Group maintains good relationship with major banks providing finance or facilities to the Group and the Group has successfully renewed most of its banking facilities based on past experience; and
- (2) As of the date of approval of these financial statements, the Group has unutilised bank loan facilities totalling HK\$382,312,000, which are repayable twelve months from dates of drawdown. They are available for the Group to draw down to finance its future operations and financial obligations.

Based on the cash flow forecast, the Directors are of the opinion that the Group would have sufficient liquidity to finance its operations and meet its financial obligations as and when they fall due for the at least twelve months subsequent to end of reporting period. Accordingly, the Directors considered that it is appropriate to continue to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the management’s assessment and measures mentioned, the above events or conditions indicate that a material uncertainty exists that may cast significant doubt about the Group’s ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to adjust the value of assets to their estimated net realisable values, to reclassify non-current assets and liabilities as current assets and liabilities respectively, and to provide for any further liabilities which may arise. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

(c) Functional and presentation currency

The functional currency of the Company is United States dollars (“US\$”), while the consolidated financial statements are presented in Hong Kong dollars (“HK\$”). As the Company is listed on the Main Board of the Stock Exchange, the directors consider that it will be more appropriate to adopt HK\$ as the Group’s and the Company’s presentation currency.

4. SEGMENT INFORMATION

The segment information reported externally was analysed on the basis of their goods and services delivered or provided by the Group’s operating divisions which is consistent with the internal information that are regularly reviewed by the executive Directors, the chief operating decision maker, for the purposes of resources allocation and assessment of performance. This is also the basis of organisation in the Group, whereby the management has chosen to organise the Group around different products and services.

Specifically, the Group’s operating segments under HKFRS 8 are as follows:

(i) Media entertainment platform related products

Trading and manufacturing of media entertainment platform related products, which are mainly used for satellite products equipment.

(ii) Other multimedia products

Trading and manufacturing of components of audio and video electronic products such as cable lines.

(iii) Satellite TV equipment and antenna products

Trading and manufacturing of satellite TV equipment and antenna products.

The following summary describes the operations in each of the Group’s reportable segments:

Revenue from contracts with customer within the scope of HKFRS 15:

	2021 <i>HK\$’000</i>	2020 <i>HK\$’000</i>
Media entertainment platform related products	117,545	124,293
Other multimedia products	271,886	273,735
Satellite TV equipment and antenna products	537,040	465,601
	926,471	863,629

SEGMENT REVENUE AND RESULTS

The following is an analysis of the Group's revenue and results by reportable and operating segments:

Year ended 31 December 2021

	Media entertainment platform related products <i>HK'000</i>	Other multimedia products <i>HK'000</i>	Satellite TV equipment and antenna products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue				
External sales	<u>117,545</u>	<u>271,886</u>	<u>537,040</u>	<u>926,471</u>
Results				
Segment results	<u>5,645</u>	<u>15,301</u>	<u>72,354</u>	93,300
Provision for expected credit loss on loan to an associate				(92)
Reversal of expected credit loss on the amount due from an associate				1,250
Provision for expected credit loss on trade receivables				(16,053)
Other income, gains and losses				47,469
Research and development costs				(27,382)
Administrative and other expenses				(110,287)
Share of profit of an associate				4,487
Finance costs				(28,140)
Increase in fair value of investment properties				<u>19,006</u>
Loss before income tax expense				<u>(16,442)</u>

Year ended 31 December 2020

	Media entertainment platform related products <i>HK'000</i>	Other multimedia products <i>HK'000</i>	Satellite TV equipment and antenna products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue				
External sales	<u>124,293</u>	<u>273,735</u>	<u>465,601</u>	<u>863,629</u>
Results				
Segment results	<u>2,039</u>	<u>16,434</u>	<u>63,897</u>	82,370
Reversal of expected credit loss on loan to an associate				25
Reversal of expected credit loss on the amount due from an associate				2,316
Provision for expected credit loss on trade receivables				(4,257)
Other income, gains and losses				44,875
Research and development costs				(32,276)
Administrative and other expenses				(107,229)
Share of profit of an associate				16,277
Finance costs				(29,839)
Increase in fair value of investment properties				<u>7,052</u>
Loss before income tax expense				<u>(20,686)</u>

The accounting policies of the operating segments are the same as the accounting policies of the Group. Segment results represent the profit earned by each segment without allocation of provision for/reversal of expected credit losses, administrative and other expenses, research and development costs, other income, gains and losses, changes in fair value of investment properties, share of profit of an associate and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and performance assessment.

5. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
The tax charge comprises:		
Current tax:		
— the PRC	5,215	1,272
— Jurisdictions other than the PRC and Hong Kong	<u>5,045</u>	<u>2,496</u>
	10,260	3,768
(Over)/under-provision in prior years:		
— the PRC	(997)	(247)
— Jurisdictions other than the PRC and Hong Kong	<u>(950)</u>	<u>122</u>
	(1,947)	(125)
Deferred taxation:		
— Current year	<u>1,506</u>	<u>(502)</u>
	<u>9,819</u>	<u>3,141</u>

The tax rates applicable to the Group's principal operating subsidiaries for the years ended 31 December 2021 and 2020 are as follows:

(i) the PRC

The applicable PRC enterprise income tax rate of the PRC subsidiaries is 25% in accordance with the relevant income tax law and regulations in the PRC.

(ii) Hong Kong

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits.

No tax is payable on the profit arising in Hong Kong as the entity operating in Hong Kong incurred tax losses for both years.

(iii) United States

The Group's subsidiaries in the US are subject to United States Federal Income Tax at 21% (2020: 21%) and States Income Tax at 6% (2020: 6%).

(iv) Europe

The Group's European subsidiaries are subject to profit tax rates at a range of 25% to 30% (2020: 25% to 30%).

(v) **Macau**

As stated in the Decree Law No. 58/99/M, Chapter 2, Article 12, dated 18 October 1999, the Macau subsidiary is exempted from Macao Complementary Tax since its income is generated from business outside Macau.

(vi) **Others**

Other subsidiaries operating in other jurisdictions are subject to applicable tax rates in the relevant jurisdictions.

6. LOSS FOR THE YEAR

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss for the year has been arrived at after charging/(crediting):		
Directors' emoluments	3,336	3,240
Other staff costs	88,591	89,583
Contributions to defined contribution plans, excluding Directors	2,242	873
Total employee benefit expenses	<u>94,169</u>	<u>93,696</u>
Carrying amount of inventories sold	806,713	750,280
Write-down of inventories (<i>note i</i>)	1,281	1,856
Reversal of inventory provision (<i>note i</i>)*	(2,718)	(7,420)
Cost of inventories recognised as expenses	<u>805,276</u>	<u>744,716</u>
Provision for/(reversal of) expected credit loss on loan to an associate	92	(25)
Reversal of expected credit loss on amount due from an associate	(1,250)	(2,316)
Provision for expected credit loss on trade receivables	16,053	4,257
Provision for expected credit loss on other financial assets	<u>14,895</u>	<u>1,916</u>
Auditor's remuneration	2,661	2,550
Depreciation of property, plant and equipment	11,891	15,960
(Reversal of)/write off of property, plant and equipment	(31)	1,349
Depreciation of right-of-use assets	5,544	3,162
Amortisation of intangible assets (<i>note i</i>)	1,392	5,358
Release of prepaid lease payments	29	56
Government subsidy	(509)	(1,035)
Loss on disposal of property, plant and equipment (<i>note ii</i>)	171	478
Loss on termination on a lease	–	59
Interest income (<i>note ii</i>)	(575)	(785)
Interest income from an associate (<i>note ii</i>)	(1,004)	(1,006)
Property rental income (<i>note ii</i>)	(20,334)	(16,778)
Net foreign exchange loss/(gain) (<i>note ii</i>)	<u>291</u>	<u>(8,708)</u>

Note i: Included in cost of sales

Note ii: Included in other income, gain and losses

* The reversal of inventory provision mainly arose from inventories that were sold subsequently during the year

Included in the total employee benefit expenses is an aggregate amount of HK\$2,262,000 (2020: HK\$892,000) in respect of contributions to defined contribution plans, including directors.

7. DIVIDENDS

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

8. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the ordinary equity holders of the Company is based on the following data:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company for the purposes of calculating basic loss per share	<u>(25,433)</u>	<u>(12,594)</u>
	2021	2020 (restated)
Number of Shares		
Weighted average number of ordinary shares for the purposes of basic losses per share	<u>402,722,938</u>	<u>329,748,198</u>
Basic and diluted loss per share (<i>HK cents</i>)	<u>(6.32)</u>	<u>(3.82)</u>

The weighted average number of ordinary shares for the purpose of basic loss per share for the year ended 31 December 2020 has been adjusted for the Share Consolidation and bonus element in rights issue which took place on 11 June 2021 and 21 July 2021 respectively.

Diluted loss per share

Diluted loss per share for each of the two years ended 31 December 2021 and 2020 respectively is the same as the basic loss per share because there were no dilutive potential ordinary shares during both years.

9. AMOUNT DUE FROM/LOAN TO AN ASSOCIATE

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Loan receivables	<i>(i)</i>	<u>–</u>	<u>22,155</u>
Current assets			
Loan receivables	<i>(i)</i>	22,063	–
Trade receivables	<i>(ii)</i>	37,487	36,116
Interest receivable on loan receivables		<u>1,192</u>	<u>240</u>
Amount due from an associate		<u>60,742</u>	<u>36,356</u>

Notes:

- (i) The amount is unsecured and bears interest at a fixed rate of 4.75% (2020: 4.75%) per annum. The loan receivables mature on 31 December 2022.
- (ii) Amount being unsecured and interest-free. The Group allows a credit period of 360 days.

The following is an ageing analysis of trade receivables due from an associate, presented based on the invoice date, at the end of the reporting period:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
More than 360 days	<u>37,487</u>	<u>36,116</u>

Based on the Group's assessment, the Group recognised the reversal of expected credit loss on trade receivables due from an associate of HK\$1,250,000 (2020: HK\$2,316,000) and provision for expected credit loss on loan to an associate of HK\$92,000 (2020: reversal of expected credit loss on loan to an associate of HK\$25,000) during the year.

10. TRADE, BILLS AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade and bills receivables	167,113	122,505
Other receivables	58,212	85,199
	<hr/>	<hr/>
Total trade, bills and other receivables	225,325	207,704
	<hr/> <hr/>	<hr/> <hr/>

The Group allows an average credit period of 60 to 120 days to its trade customers. The following is an ageing analysis of trade and bills receivables presented based on the invoice date at the end of the year:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 – 30 days	131,109	80,637
31 – 90 days	34,133	15,727
91 – 180 days	3,647	14,140
More than 180 days	146,964	151,762
	<hr/>	<hr/>
	315,853	262,266
Less: Loss allowance	(148,740)	(139,761)
	<hr/>	<hr/>
	167,113	122,505
	<hr/> <hr/>	<hr/> <hr/>

The other classes within trade, bills and other receivables do not contain impaired assets. Based on the Group's assessment, the Group recognised provision for expected credit loss on trade receivables of HK\$16,053,000 (2020: HK\$4,257,000) during the year.

11. TRADE, BILLS AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	231,776	207,593
Bills payables	377	502
Deposits received	73,997	–
Other payables and accruals (<i>note</i>)	<u>92,703</u>	<u>81,429</u>
	<u>398,853</u>	<u>289,524</u>

The following is an aged analysis of trade and bills payables, presented based on the invoice date at the end of the reporting periods:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 – 30 days	199,769	132,225
31 – 90 days	19,481	50,735
91 – 360 days	4,658	16,772
More than 360 days	<u>8,245</u>	<u>8,363</u>
	<u>232,153</u>	<u>208,095</u>

The average credit period for purchases of goods is 90 days.

Note: An amount due to a director of HK\$4,308,000 (2020: HK\$6,859,000) which was included in other payables. It is unsecured, interest free and repayable on demand.

REVIEW OF FINANCIAL POSITION

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, an overall cash and cash equivalent of the Group was HK\$111.4 million (2020: HK\$88.9 million). The Group managed its capital structure and liquidity to finance its operations by using bank and other borrowings and funds generated from operations.

The Group's current ratio (ratio of current assets to current liabilities) was 0.99 at 31 December 2021 (2020: 0.66).

As at 31 December 2021, the Group's total borrowings were approximately HK\$390.9 million (2020: HK\$421.2 million), out of which HK\$149.1 million (2020: HK\$387.0 million) were due within one year and the rest of HK\$241.8 million (2020: HK\$34.2 million) were due over one year. Approximately 80.75% of the Group's bank and other borrowings were in US dollars and the rest of them were in Renminbi ("RMB"), Euro and New Taiwan dollars. The effective interest rates on the Group's variable interest rate bank and other borrowings ranged from 0.84% to 10% per annum. The gearing ratio (total borrowings over total assets of the Group) decreased from 46.99% at 31 December 2020 to 38.43% at 31 December 2021.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2021, except the Equity Pledge and the Land Pledge disclosed in the section headed "Cooperation Agreement in relation to Proposed Redevelopment" below, the Group's general banking facilities included bank loans and other borrowings which were secured by the following assets of the Group: (i) bank deposits of HK\$3.6 million; (ii) property, plant and equipment with a carrying value of HK\$16.6 million; (iii) investment properties of HK\$230.8 million; (iv) trade receivables of HK\$96.2 million; (v) inventories of HK\$54.7 million; and (vi) pledge of the Company's interests in Pro Brand Technology, Inc.

FOREIGN EXCHANGE EXPOSURE

The Group's sales and purchases were denominated mainly in US\$ and RMB. The Group was exposed to certain foreign currency exchange risks but it does not expect future currency fluctuations to cause material operation difficulties on the ground that the recent pressure from appreciation of RMB is manageable. However, management continuously assesses the foreign exchange risks, with an aim to minimise the impact of foreign exchange fluctuations on business operations.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2021 (2020: Nil).

EVENTS SUBSEQUENT TO THE REPORTING PERIOD

Acquisition of Prabhu Digital Limited by Dish Media Network Limited (“Dish Media”)

Dish Media, the Company’s associate, to endeavour to expand broadband services in Nepal, had issued 2,533,235 new shares to acquire all the interest of Prabhu Digital Limited (**the “Acquisition”**), the Acquisition was completed on 6 March 2022. Upon completion of the Acquisition, the equity interest of the Company in Dish Media was diluted from approximately 47.12% to approximately 41.86%. To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the subscriber of the new shares and its ultimate beneficial owners are independent of, and not acting in concert with the Company and connected persons (as defined under the Listing Rules) of the Company.

LITIGATION

Lawsuit in India

In October 2020, Aggressive Digital Systems Private Ltd. (“**AD**”, a non-wholly owned subsidiary of the Company) received a summons to the National Company Law Tribunal (“**NCLT**”) at Chandigarh in India that was filed by Aggressive Electronics Manufacturing Services Private Limited (“**AEMS**”, a minority shareholder of AD) and Mr. Neeraj Bharara (collectively the “**Petitioners**”) against Top Dragon Development Limited (a wholly owned subsidiary of the Company and the shareholder of AD), AD and certain directors of AD (collectively the “**Respondents**”) alleging that the Respondents made undue acts either of oppression or mismanagement and claiming for losses caused to the Petitioners arising from such undue acts. The hearing is scheduled to be held on 10 May 2022 at NCLT.

After consulting the Company’s legal counsel in India and taking into account the possible factors including, but not limited to, the possible amount involved in the case, the Board considered that it is not probable that the Group will incur any material losses resulting from this litigation. Accordingly, no provision was made in the consolidated financial statements of the Group as at 31 December 2020 and 2021.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 December 2021, the Group employed a total of 700 (2020: 646) full-time employees. Employees are remunerated according to their performance and responsibilities. Employees of the Group receive training depending on their scope of work, especially those training relating to workplace health and safety.

The Directors and senior management of the Company receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of the Group. The Company regularly reviews and determines the remuneration and compensation packages of the Directors and senior management.

SIGNIFICANT INVESTMENTS HELD AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Saved as disclosed in the section headed “Cooperation Agreement in relation to Proposed Redevelopment” below, there were no significant investments held as at 31 December 2021 nor were there other plans for material investments on capital assets as at the date of this announcement.

DISPOSAL OF ALL INTERESTS IN MYHD AND CONTINUATION OF LOANS AND GUARANTEE

Reference is made to the announcement of the Company dated 31 December 2018 (the “**Announcement**”) and the circular of the Company dated 25 May 2019 (the “**Circular**”). Unless otherwise stated, capitalised terms used herein shall have the same meanings as those defined in the Announcement and in the Circular. On 31 December 2018, the Vendor and the Purchaser entered into the Agreement pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the entire issued share capital of the Target Company, at the nominal consideration of US\$1 with effect from the Transaction Date. The Target Company was a wholly-owned subsidiary of the Company and indirectly held 51% interests in MyHD. All the Conditions set out in the Agreement had been satisfied and the Disposal was completed on 25 June 2019.

The Vendor had agreed with the Purchaser under the Agreement to procure that the Existing Loans shall continue to be advanced by the Company or SMT (as the case may be) to the Target Company and/or MyHD (as the case may be) under the then existing arrangements notwithstanding the Completion taking place. Such arrangement confers the right to the Company or SMT (as the case may be) to receive the payments for the Existing Loans from the Target Company and/or MyHD (as the case may be) when the financial positions of the Target Company and/or MyHD (as the case may be) improve and have sufficient cash to settle the Existing Loans. As at 31 December 2021, there were Existing Loans which have been past due in the aggregate amount of US\$99,441,000 comprising aggregate principal amount of US\$71,298,000 and aggregate accrued interest (calculated based on the terms of agreements of Existing Loans) of US\$28,143,000 owing by the Target Company and/or MyHD to the Company and/or SMT (as the case may be), the particulars of which are as follows:

Lenders	Debtors	Prevailing interest rate	Maturity date	Principal amount outstanding as at 31 December 2021	Accrued interest as at 31 December 2021
SMT	Target Company	3 months LIBOR + 100 basis points ^(Note 1)	31.12.2020	US\$9,554,000 (approximately HK\$74,499,000)	US\$1,517,000 (approximately HK\$11,830,000)
SMT	MyHD	3 months LIBOR + 100 basis points ^(Note 1)	31.12.2020	US\$10,500,000 (approximately HK\$81,877,000)	US\$1,407,000 (approximately HK\$10,968,000)
SMT	MyHD	10% per annum ^(Note 2)	31.12.2020	US\$42,653,000 (approximately HK\$332,600,000)	US\$20,994,000 (approximately HK\$163,704,000)
The Company	MyHD	10% per annum ^(Note 2)	31.12.2020	US\$8,591,000 (approximately HK\$66,992,000)	US\$4,225,000 (approximately HK\$32,946,000)
			Total	US\$71,298,000 (approximately HK\$555,968,000)	US\$28,143,000 (approximately HK\$219,448,000)

Note:

- As a reference, 3 months London inter-bank offered rates (“LIBOR”) as applicable to these two loans during the period between 1 May 2012 to 31 December 2021 ranged between 0.11775% and 2.80763%.
- Prevailing interest rate shall be increased to 11% per annum after maturity date.

In December 2019, the Company was given to understand that the Target Company and MyHD were in serious financial problem and ceased to operate in late 2019. As such, the Company considered these loan receivables were credit impaired and full impairment in the amount of HK\$646,366,000 was provided as at 31 December 2019. No interest income was recognised on the outstanding loan principal for the year ended 31 December 2020 and the year ended 31 December 2021 as the recoverability of such interest receivables is remote.

The Vendor had also agreed that the Guarantee given by the Company to MyHD shall continue for the time being after the Completion. The maximum amount payable by the Company under the Guarantee would not exceed US\$3,500,000 (equivalent to HK\$27,332,000). Notwithstanding that MyHD ceased its operation in late 2019, the Company has not received any demand for payment from MyHD under the Guarantee. At 31 December 2020 and 2021, the Group had recognised the provision for financial guarantee in the amount of US\$3,500,000 (equivalent to HK\$27,332,000) in relation to the Guarantee.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2021.

CAPITAL REORGANISATION AND RIGHTS ISSUE

References are made to the announcements of the Company dated 28 April 2021 and 9 June 2021, and the circular of the Company dated 17 May 2021 in relation to, among other things, the capital reorganisation of the Company (the “**Capital Reorganisation Announcements and Circular**”) and the prospectus of the Company dated 24 June 2021 and the announcements of the Company dated 12 July 2021, 20 July 2021 and 27 July 2021 in relation to the rights issue of the Company (the “**Rights Issue Announcements and Prospectus**”). Unless otherwise specified herein, capitalised terms used herein shall have the same meanings as those defined in the Capital Reorganisation Announcements and Circular and the Rights Issue Announcements and Prospectus.

The Capital Reorganisation comprised the Share Consolidation, the Capital Reduction and the Share Premium Reduction on the basis that every ten issued and unissued Existing Shares of a par value of HK\$0.10 each shall be consolidated into one Consolidated Share of a par value of HK\$1.00 each in the share capital of the Company. Immediately after the Share Consolidation, the issued share capital of the Company was reduced by (i) rounding down the number of Consolidated Shares in the issued share capital of the Company to the nearest whole number by cancelling any fraction of a Consolidated Share in the issued share capital of the Company; and (ii) cancelling the paid-up capital of the Company to the extent of HK\$0.90 on each of the then issued Consolidated Shares such that the par value of each issued Consolidated Share was reduced from HK\$1.00 to HK\$0.10. The credit arising from the Capital Reduction was credited to the contributed surplus account of the Company within the meaning of the Companies Act and then was applied towards offsetting the accumulated losses of the Company as at the effective date of the Capital Reduction, thereby reducing the accumulated losses of the Company. The Capital Reorganisation was approved by the Shareholders at the SGM held on 9 June 2021 and became effective on 11 June 2021.

The amount of HK\$506,750,000 standing to the credit of the share premium account of the Company be reduced to nil and that the credit arising therefrom be transferred to the contributed surplus account.

Upon the Capital Reorganisation became effective, the Company conducted a Rights Issue to raise approximately HK\$68.9 million before expenses by issuing 164,053,830 Rights Shares, on the basis of one Rights Share for every two Adjusted Shares in issue on the Record Date then held at the Subscription Price of HK\$0.42 per Rights Share, representing a discount of approximately 16.00% to the theoretical closing price of HK\$0.50 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK\$0.05 per Share as quoted on the Stock Exchange on 27 April 2021, being the last full trading day before the release of the announcement dated 28 April 2021 in relation to the Rights Issue.

The Rights Issue was completed on 21 July 2021, and an aggregate of 164,053,830 Rights Shares were allotted and issued to the Qualifying Shareholders accordingly, which carried the aggregate nominal value of HK\$16,405,383. The gross proceeds raised from the Rights Issue (including the Compensatory Arrangement) were approximately HK\$68.9 million and the net proceeds from the Rights Issue after deducting the expenses were approximately HK\$67.3 million. The net price per Rights Share was approximately HK\$0.40.

The Company considered that the Rights Issue would allow (i) the Group to improve the financial position (i.e. reducing its indebtedness and finance costs) without incurring debt financing cost and (ii) the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company, and was fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company has applied the net proceeds from the Rights Issue for partial repayment of the outstanding loans of the Company as previously disclosed in the Capital Reorganisation Announcements and Circular and the Rights Issue Announcements and Prospectus. As at the date of this announcement, the Company had fully utilized the net proceeds in accordance with the said intention.

Effect of Rights Issue on the shareholding structure of the Company:

	Immediately before completion of the Rights Issue		Immediately after completion of the Rights Issue	
	Number of issued Adjusted Shares	Approximate %	Number of issued Adjusted Shares	Approximate %
Substantial Shareholders				
First Steamship Company Limited	95,085,935	29.0%	142,628,902	29.0%
Metroasset Investments Limited	50,718,859	15.5%	70,718,859	14.4%
IXL CAPITAL	27,376,200	8.3%	51,376,200	10.4%
Public Shareholders				
Places	–	–	48,781,322	9.9%
Other Shareholders	<u>154,926,666</u>	<u>47.2%</u>	<u>178,656,207</u>	<u>36.3%</u>
Total	<u>328,107,660</u>	<u>100.0%</u>	<u>492,161,490</u>	<u>100.0%</u>

COOPERATION AGREEMENT IN RELATION TO PROPOSED REDEVELOPMENT

Reference is made to the voluntary announcement of the Company dated 17 August 2021 (the “**Voluntary Announcement**”) in relation to the cooperation agreement (the “**Cooperation Agreement**”) that was entered into between the Group and Guangdong Huasuan International Industrial Park Investment Development Co., Ltd.* (廣東省華算國際產業園投資發展有限公司) (“**Huasuan**”) in July 2021. Pursuant to the Cooperation Agreement, Huasuan and Sandmartin (Zhong Shan) Electronic Co., Ltd.* (“**ZSS**”, an indirect wholly owned subsidiary of the Company) will cooperate to upgrade certain blocks of factory buildings and dormitories constructed on an industrial land and to redevelop some vacant and undeveloped parts of that land (collectively, the “**Land**”) subject to prior consents and planning approvals from the relevant PRC government authorities. The Land is situated in Zhongshan, Guangdong Province, the PRC and is owned by ZSS. The intention of the Cooperation Agreement is to set out the framework to redevelop the Land into an intelligent manufacturing centre for research and development for future leasing or disposal purposes (the “**Redevelopment**”). Huasuan will fund the entire costs of the Redevelopment and the Group will provide part of the Land that will be used for the Redevelopment. The Group and Huasuan will be entitled to 20% and 80% respectively of the new buildings constructed on the Land by apportioning the rental income attributable to, or the proceeds from the disposal of, the newly constructed buildings (the “**Revenue Apportionment**”).

The Redevelopment will be developed under the name of ZSS. To ensure the continued commitment in the Redevelopment, Huasuan will pay to the Group a cooperation fund amounting to RMB60 million as security deposit (the “**Cooperation Fund**”). As securities for such Cooperation Fund, the Group will pledge to Huasuan (i) 100% of the shareholding interests in ZSS which holds the Land (the “**Equity Pledge**”); and (ii) one of the three pieces of land parcels within the Land (the “**Land Pledge**”). Huasuan shall release both the Equity Pledge and the Land Pledge upon full repayment of the Cooperation Fund by the Group and completion of the Redevelopment and Revenue Apportionment. If the Redevelopment is unable to proceed, the Cooperation Fund shall be refunded to Huasuan without interest within 10 business days failing which there is a default interest of 8% per annum payable by the Group within three months.

As at the date of the Voluntary Announcement, the Redevelopment is in the planning stage. The concrete plan in relation to the Revenue Apportionment cannot be determined and will have to be further negotiated between the parties. Similarly, the design and scale of the Redevelopment, the exact size and location of the Land that will be provided by the Group for the Redevelopment cannot be determined until prior consents and planning approvals from the relevant PRC government authorities are obtained. The Redevelopment may not proceed if the Group cannot obtain the relevant consents and planning approvals. Other than prior consents and planning approvals from the relevant PRC government authorities, other conditions precedent that the parties have to fulfil before the Redevelopment can commence are that:

- (i) Huasuan shall pay to the Group the Cooperation Fund; and
- (ii) the Group shall provide the Equity Pledge and Land Pledge to Huasuan for securing repayment of the Cooperation Fund.

Pursuant to the Cooperation Agreement, the Group may not proceed with the Redevelopment even if the conditions precedent above are fulfilled if the outstanding matters such as the location and size of the Land to be provided by the Group, the scale of Redevelopment to be undertaken by Huasuan and whether the newly developed Land will be leased or to be disposed of cannot be resolved or agreed. Therefore, at this stage and as at the date of this announcement, there is no transaction in connection with the Cooperation Agreement that would trigger Chapter 14 of the Listing Rules.

If those outstanding matters are resolved and agreed (including the prior consents and planning approvals from the relevant PRC government authorities), the Group will proceed with the Redevelopment with Huasuan by entering into further agreements. If the transactions under the further agreements constitute major transactions (as defined under the Listing Rules), the Group will comply with the requirements under Chapter 14 of the Listing Rules.

Pending development of such subsequent non-adjusting event, the Group's financial and operating performance may be affected, the extent to which cannot be estimated as at the date of the Voluntary Announcement. For details, please refer to the Voluntary Announcement.

As at 31 December 2021, Huasuan has paid to the Group the Cooperation Fund in full and the Group has recognised as deposits received. The Group has provided the Equity Pledge and Land Pledge to Huasuan for securing repayment of the Cooperation Fund.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2021, the Company has applied the principles and has complied with the code provisions (“**Code Provision(s)**”) of the Corporate Governance Code (“**Corporate Governance Code**”) as contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”), except for the deviations with following reasons.

- (i) Under Code Provision C.1.6, independent non-executive directors and other non-executive directors should attend general meetings.

Mr. Kuo Jen Hao, a non-executive Director, was unable to attend the annual general meeting (“**AGM**”) held on 3 June 2021 due to his other engagements.

- (ii) On 18 August 2021, both Mr. Lau Yau Cheung and Mr. Li Chak Hung, resigned as independent non-executive Directors. Upon Mr. Lau Yau Cheung’s resignation, he also ceased to be the chairman of the Board, the chairman of the nomination committee of the Board (the “**Nomination Committee**”) and a member of each of the audit committee and the remuneration committee of the Board (the “**Audit Committee**” and the “**Remuneration Committee**”, respectively). Upon Mr. Li Chak Hung’s resignation, he also ceased to be the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee. The Company had failed to comply with the requirements as set out in Rules 3.10(1) and 3.10(2), 3.10A, 3.21, 3.25 and 3.27A of the Listing Rules.

On 24 August 2021, Mr. Ding Jin-Huei and Mr. Lu Ming-Shiuan were appointed as independent non-executive Directors, Mr. Ding Jin-Huei was appointed as the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee. Mr. Lu Ming-Shiuan was appointed as the chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee. Following the appointments, the Company has fully complied with the requirements as set out in Rules 3.10(1) and 3.10(2), 3.10(A), 3.21, 3.25 and 3.27A of the Listing Rules.

CHANGES IN DIRECTOR’S INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, save for the disclosure in paragraph (ii) under the section headed “Compliance with the Corporate Governance Code”, the change in information of the directors since the date of the Company’s annual report for the year ended 31 December 2020 and up to the date of this announcement is set out below:

- Mr. Kuo Jen Hao, non-executive Director, was appointed as the chairman of the Board with effect from 24 August 2021.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as the code of conduct for dealing in securities of the Company by the Directors. After specific enquiry, all Directors confirmed that they have complied with the required standard regarding securities transactions set out in the Model Code throughout the year ended 31 December 2021. No incident of non-compliance was noted by the Company for the year ended 31 December 2021.

REVIEW OF ACCOUNTS

The audit committee of the Company has reviewed the Group's consolidated financial statements for the year ended 31 December 2021, including the accounting principles and practices adopted by the Group.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2021.

Opinion

We have audited the consolidated financial statements of Sandmartin International Holdings Limited (the “**Company**”) and its subsidiaries (together the “**Group**”), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to note 3(b) in the consolidated financial statements, which indicates that the Group incurred a net loss of HK\$25,433,000 attributable to owners of the Company during the year ended 31 December 2021 and, as of that date, the Group’s current liabilities exceeded its current assets by HK\$6,325,000. As stated in note 3(b), these conditions, along with other matters as set forth in note 3(b), indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the Shareholders’ eligibility to attend, speak and vote at the 2022 AGM, the register of members of the Company (“**Register of Members**”) will be closed as appropriate as set out below:

Latest time to lodge transfer documents for registration with the Branch Share Registrar	At 4:30 p.m. on Wednesday, 1 June 2022
Record Date	Wednesday, 1 June 2022
Closure of the Register of Members	Thursday, 2 June 2022 to Wednesday, 8 June 2022 (both days inclusive)

For purpose mentioned above, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Branch Share Registrar, at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong no later than the aforementioned latest time.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the Company's website (www.sandmartin.com.hk) and the Stock Exchange's website (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2021 will be dispatched to the Shareholders and will be made available on the respective websites of the Company and the Stock Exchange in due course.

By order of the Board
Sandmartin International Holdings Limited
Kuo Jen Hao
Chairman

Hong Kong, 25 March 2022

As at the date of this announcement, the Directors are:

Executive Directors

Mr. Hung Tsung Chin and Mr. Chen Wei Chun

Non-Executive Director

Mr. Kuo Jen Hao (*Chairman*)

Independent Non-Executive Directors

Mr. Ding Jin-Huei, Mr. Lu Ming-Shiuan and Mr. Wu Chia Ming